

SENATE BILL No. 307

May 8, 1991, Introduced by Senator WARTNER and referred to the Committee on Commerce.

A bill to amend Act No. 218 of the Public Acts of 1956, entitled as amended

"The insurance code of 1956,"

as amended, being sections 500.100 to 500.8302 of the Michigan Compiled Laws, by adding chapter 41.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Act No. 218 of the Public Acts of 1956, as
2 amended, being sections 500.100 to 500.8302 of the Michigan
3 Compiled Laws, is amended by adding chapter 41 to read as
4 follows:

CHAPTER 41

MODIFIED GUARANTEED ANNUITIES

7 SEC. 4101. AS USED IN THIS CHAPTER:

8 (A) "INTEREST CREDITS" MEANS ALL INTEREST THAT IS CREDITED
9 TO A DEFERRED ANNUITY CONTRACT.

1 (B) "MODIFIED GUARANTEED ANNUITY" MEANS A DEFERRED ANNUITY
2 CONTRACT, THE UNDERLYING ASSETS OF WHICH ARE HELD IN A SEPARATE
3 ACCOUNT, AND THE VALUES OF WHICH ARE GUARANTEED IF HELD FOR SPEC-
4 IFIED PERIODS. IT CONTAINS NONFORFEITURE VALUES THAT ARE BASED
5 UPON A MARKET-VALUE ADJUSTMENT FORMULA IF HELD FOR SHORTER
6 PERIODS. THIS FORMULA MAY, OR MAY NOT, REFLECT THE VALUE OF
7 ASSETS HELD IN THE SEPARATE ACCOUNT. THE ASSETS UNDERLYING THE
8 CONTRACT SHALL BE IN A SEPARATE ACCOUNT DURING THE PERIOD THE
9 CONTRACT HOLDER CAN SURRENDER THE CONTRACT.

10 (C) "SEPARATE ACCOUNT" MEANS A SEPARATE ACCOUNT ESTABLISHED
11 PURSUANT TO THIS CHAPTER OR PURSUANT TO THE CORRESPONDING SECTION
12 OF THE INSURANCE LAWS OF THE STATE OF DOMICILE OF A FOREIGN OR
13 ALIEN INSURER.

14 SEC. 4103. (1) AN INSURER SHALL NOT DELIVER OR ISSUE FOR
15 DELIVERY A MODIFIED GUARANTEED ANNUITY WITHIN THIS STATE UNLESS
16 IT IS LICENSE OR ORGANIZED TO DO A LIFE INSURANCE OR ANNUITY
17 BUSINESS IN THIS STATE, AND THE COMMISSIONER IS SATISFIED THAT
18 ITS CONDITION OR METHOD OF OPERATION IN CONNECTION WITH THE ISSU-
19 ANCE OF SUCH CONTRACTS WILL NOT RENDER ITS OPERATION HAZARDOUS TO
20 THE PUBLIC OR ITS POLICYHOLDERS IN THIS STATE. IN MAKING THIS
21 DETERMINATION, THE COMMISSIONER SHALL CONSIDER AMONG OTHER THINGS
22 THE INSURER'S HISTORY AND FINANCIAL CONDITION, THE CHARACTER,
23 RESPONSIBILITY, AND FITNESS OF THE INSURER'S OFFICERS AND DIREC-
24 TORS, AND THE LAW AND REGULATION UNDER WHICH THE INSURER IS
25 AUTHORIZED IN THE STATE OF DOMICILE TO ISSUE SUCH ANNUITIES.

26 (2) IF THE INSURER IS A SUBSIDIARY OF AN ADMITTED LIFE
27 INSURANCE COMPANY OR AFFILIATED WITH SUCH INSURER BY COMMON

1 MANAGEMENT OR OWNERSHIP, THE COMMISSIONER MAY CONSIDER SUBSECTION
2 (1) SATISFIED IF EITHER THE SUBSIDIARY OR AFFILIATED INSURER OR
3 THE ADMITTED LIFE COMPANY SATISFIES SUBSECTION (1) AND THE
4 INSURER IS LICENSED AND HAS A SATISFACTORY RECORD OF DOING BUSI-
5 NESS IN THIS STATE FOR A PERIOD OF AT LEAST 3 YEARS.

6 (3) BEFORE AN INSURER ISSUES OR ISSUES FOR DELIVERY A MODI-
7 FIED GUARANTEED ANNUITY WITHIN THIS STATE, IT SHALL SUBMIT TO THE
8 COMMISSIONER THE FOLLOWING:

9 (A) A GENERAL DESCRIPTION OF THE KINDS OF MODIFIED GUARAN-
10 TEED ANNUITIES IT INTENDS TO ISSUE.

11 (B) IF REQUESTED BY THE COMMISSIONER, A COPY OF THE STATUTES
12 AND REGULATIONS OF ITS STATE OF DOMICILE UNDER WHICH IT IS AUTHO-
13 RIZED TO ISSUE MODIFIED GUARANTEED ANNUITIES.

14 (C) IF REQUESTED BY THE COMMISSIONER, BIOGRAPHICAL DATA OF
15 THE INSURER'S OFFICERS AND DIRECTORS.

16 SEC. 4105. (1) AN INSURER AUTHORIZED TO TRANSACT MODIFIED
17 GUARANTEED ANNUITY BUSINESS IN THIS STATE SHALL NOT USE ANY SALES
18 MATERIAL, ADVERTISING MATERIAL, OR DESCRIPTIVE LITERATURE OR
19 OTHER MATERIALS OF ANY KIND IN CONNECTION WITH ITS MODIFIED GUAR-
20 ANTEED ANNUITY BUSINESS IN THIS STATE THAT IS FALSE, MISLEADING,
21 DECEPTIVE, OR INACCURATE.

22 (2) ILLUSTRATIONS OF BENEFITS PAYABLE UNDER A MODIFIED GUAR-
23 ANTEED ANNUITY SHALL NOT INCLUDE PROJECTIONS OF PAST INVESTMENT
24 EXPERIENCE INTO THE FUTURE OR ATTEMPTED PREDICTIONS OF FUTURE
25 INVESTMENT EXPERIENCE. HOWEVER, HYPOTHETICAL ASSUMED INTEREST
26 CREDITS MAY BE USED TO ILLUSTRATE POSSIBLE LEVELS OF BENEFITS.

1 (3) BEFORE AN INSURER DELIVERS OR ISSUES FOR DELIVERY A
2 MODIFIED GUARANTEED ANNUITY CONTRACT IN THIS STATE, THE
3 COMMISSIONER MAY REQUIRE THE FILING OF A COPY OF ANY PROSPECTUS
4 OR OTHER SALES MATERIAL TO BE USED IN CONNECTION WITH THE MARKET-
5 ING OF THE INSURER'S MODIFIED GUARANTEED ANNUITY CONTRACT. THE
6 SALES MATERIAL SHALL CLEARLY ILLUSTRATE THAT THERE CAN BE BOTH
7 UPWARD AND DOWNWARD ADJUSTMENTS DUE TO THE APPLICATION OF THE
8 MARKET-VALUE ADJUSTMENT FORMULA IN DETERMINING NONFORFEITURE
9 BENEFITS.

10 SEC. 4107. AN INSURER AUTHORIZED TO TRANSACT MODIFIED GUAR-
11 ANTEED ANNUITY BUSINESS IN THIS STATE SHALL SUBMIT TO THE COMMIS-
12 SIONER BOTH OF THE FOLLOWING:

13 (A) A SEPARATE ACCOUNT ANNUAL STATEMENT THAT INCLUDES THE
14 BUSINESS OF ITS MODIFIED GUARANTEED ANNUITIES.

15 (B) SUCH ADDITIONAL INFORMATION CONCERNING ITS MODIFIED
16 GUARANTEED ANNUITY OPERATIONS OR SEPARATE ACCOUNTS AS THE COMMIS-
17 SIONER CONSIDERS NECESSARY.

18 SEC. 4109. MATERIAL REQUIRED TO BE FILED WITH AND APPROVED
19 BY THE COMMISSIONER IS SUBJECT TO DISAPPROVAL IF AT ANY TIME IT
20 IS FOUND BY THE COMMISSIONER NOT TO COMPLY WITH THIS CHAPTER.

21 SEC. 4111. THE FILING REQUIREMENTS APPLICABLE TO MODIFIED
22 GUARANTEED ANNUITIES ARE THOSE FILING REQUIREMENTS OTHERWISE
23 APPLICABLE UNDER EXISTING STATUTES AND REGULATIONS OF THIS STATE
24 CONCERNING INDIVIDUAL AND GROUP LIFE INSURANCE AND ANNUITY CON-
25 TRACT FORM FILINGS, TO THE EXTENT APPROPRIATE, PROVIDED, HOWEVER,
26 FILINGS SHALL INCLUDE A DEMONSTRATION IN A FORM SATISFACTORY TO

1 THE COMMISSIONER THAT THE NONFORFEITURE PROVISIONS OF THE
2 CONTRACT COMPLY WITH SECTION 4115.

3 SEC. 4113. (1) A MODIFIED GUARANTEED ANNUITY CONTRACT
4 DELIVERED OR ISSUED FOR DELIVERY IN THIS STATE SHALL CONTAIN A
5 STATEMENT OF THE ESSENTIAL FEATURES OF THE PROCEDURES TO BE FOL-
6 LOWED BY THE INSURER IN DETERMINING THE DOLLAR AMOUNT OF NONFOR-
7 FEITURE BENEFITS.

8 (2) A MODIFIED GUARANTEED ANNUITY CONTRACT CALLING FOR THE
9 PAYMENT OF PERIODIC STIPULATED PAYMENTS SHALL NOT BE DELIVERED OR
10 ISSUED FOR DELIVERY IN THIS STATE UNLESS IT CONTAINS IN SUBSTANCE
11 BOTH OF THE FOLLOWING PROVISIONS:

12 (A) A GRACE PERIOD OF 30 DAYS OR OF 1 MONTH, WITHIN WHICH
13 ANY STIPULATED PAYMENT TO THE INSURER FALLING DUE AFTER THE FIRST
14 MAY BE MADE AND DURING WHICH GRACE PERIOD THE CONTRACT SHALL CON-
15 TINUE IN FORCE. THE CONTRACT MAY INCLUDE A STATEMENT OF THE
16 BASIS FOR DETERMINING THE DATE AS OF WHICH ANY SUCH PAYMENT
17 RECEIVED DURING THE GRACE PERIOD SHALL BE APPLIED TO PRODUCE THE
18 VALUES UNDER THE CONTRACT ARISING THEREFROM.

19 (B) A PROVISION THAT, AT ANY TIME WITHIN 1 YEAR FROM THE
20 DATE OF DEFAULT, IN MAKING PERIODIC STIPULATED PAYMENTS TO THE
21 INSURER DURING THE LIFE OF THE ANNUITANT AND UNLESS THE CASH SUR-
22 RENDER VALUE HAS BEEN PAID, THE CONTRACT MAY BE REINSTATED UPON
23 PAYMENT TO THE INSURER OF THE OVERDUE PAYMENTS AS REQUIRED BY
24 CONTRACT, AND OF ALL INDEBTEDNESS TO THE INSURER ON THE CONTRACT,
25 INCLUDING INTEREST. THE CONTRACT MAY INCLUDE A STATEMENT OF THE
26 BASIS FOR DETERMINING THE DATE AS OF WHICH THE AMOUNT TO COVER

1 THE OVERDUE PAYMENTS AND INDEBTEDNESS SHALL BE APPLIED TO PRODUCE
2 THE VALUES UNDER THE CONTRACT ARISING THEREFROM.

3 (3) THE MARKET-VALUE ADJUSTMENT FORMULA, USED IN DETERMINING
4 NONFORFEITURE BENEFITS, SHALL BE STATED IN THE CONTRACT AND SHALL
5 BE APPLICABLE FOR BOTH UPWARD AND DOWNWARD ADJUSTMENTS. WHEN A
6 CONTRACT IS FILED, IT SHALL BE ACCOMPANIED BY AN ACTUARIAL STATE-
7 MENT INDICATING THE BASIS FOR THE MARKET-VALUE ADJUSTMENT FORMULA
8 AND THAT THE FORMULA PROVIDES REASONABLE EQUITY TO BOTH THE CON-
9 TRACT HOLDER AND THE INSURER.

10 (4) THE PORTION OF THE ASSETS OF ANY SEPARATE ACCOUNT EQUAL
11 TO THE RESERVES AND OTHER CONTRACT LIABILITIES WITH RESPECT TO
12 SUCH ACCOUNT ARE NOT CHARGEABLE WITH LIABILITIES ARISING OUT OF
13 ANY OTHER BUSINESS THE INSURER CONDUCTS.

14 SEC. 4115. (1) THIS SECTION DOES NOT APPLY TO ANY OF THE
15 FOLLOWING:

16 (A) REINSURANCE.

17 (B) A GROUP ANNUITY CONTRACT PURCHASED IN CONNECTION WITH 1
18 OR MORE RETIREMENT PLANS OR PLANS OF DEFERRED COMPENSATION ESTAB-
19 LISHED OR MAINTAINED BY OR FOR 1 OR MORE EMPLOYERS, EMPLOYEE
20 ORGANIZATIONS, OR ANY COMBINATION THEREOF, OTHER THAN PLANS PRO-
21 VIDING INDIVIDUAL RETIREMENT ACCOUNTS OR INDIVIDUAL RETIREMENT
22 ANNUITIES UNDER SECTION 408 OF THE INTERNAL REVENUE CODE.

23 (C) PREMIUM DEPOSIT FUND.

24 (D) INVESTMENT ANNUITY.

25 (E) IMMEDIATE ANNUITY.

26 (F) DEFERRED ANNUITY CONTRACT AFTER ANNUITY PAYMENTS HAVE
27 COMMENCED.

1 (G) REVERSIONARY ANNUITY.

2 (H) A CONTRACT THAT IS TO BE DELIVERED OUTSIDE THIS STATE
3 THROUGH AN AGENT OR OTHER REPRESENTATIVE OF THE INSURER ISSUING
4 THE CONTRACT.

5 (2) A MODIFIED GUARANTEED ANNUITY CONTRACT SHALL NOT BE
6 DELIVERED OR ISSUED FOR DELIVERY IN THIS STATE UNLESS IT CONTAINS
7 IN SUBSTANCE BOTH OF THE FOLLOWING PROVISIONS:

8 (A) THAT UPON CESSATION OF PAYMENT OF CONSIDERATIONS UNDER A
9 CONTRACT, THE INSURER WILL GRANT A PAID-UP ANNUITY BENEFIT ON A
10 PLAN DESCRIBED IN THE CONTRACT THAT COMPLIES WITH SUBSECTION
11 (5). THE DESCRIPTION SHALL INCLUDE A STATEMENT OF THE MORTALITY
12 TABLE, IF ANY, AND GUARANTEED OR ASSUMED INTEREST RATES USED IN
13 CALCULATING ANNUITY PAYMENTS.

14 (B) IF A CONTRACT PROVIDES FOR A LUMP SUM SETTLEMENT AT
15 MATURITY, OR AT ANY OTHER TIME, THAT UPON SURRENDER OF THE CON-
16 TRACT AT OR PRIOR TO THE COMMENCEMENT OF ANY ANNUITY PAYMENTS,
17 THE INSURER WILL PAY IN LIEU OF ANY PAID-UP ANNUITY BENEFIT A
18 CASH SURRENDER BENEFIT AS DESCRIBED IN THE CONTRACT THAT COMPLIES
19 WITH SUBSECTION (6). THE CONTRACT MAY PROVIDE THAT THE INSURER
20 MAY DEFER PAYMENT OF THIS CASH SURRENDER BENEFIT FOR A PERIOD OF
21 6 MONTHS AFTER DEMAND.

22 (3) THE MINIMUM VALUES AS SPECIFIED IN THIS SECTION OF ANY
23 PAID-UP ANNUITY, CASH SURRENDER, OR DEATH BENEFITS AVAILABLE
24 UNDER A MODIFIED GUARANTEED ANNUITY CONTRACT SHALL BE BASED UPON
25 NONFORFEITURE AMOUNTS MEETING THE REQUIREMENTS OF THIS
26 SUBSECTION. GUARANTEED INTEREST CREDITS IN EACH YEAR FOR ANY
27 PERIOD OF TIME FOR WHICH INTEREST CREDITS ARE GUARANTEED SHALL BE

1 REASONABLY RELATED TO THE AVERAGE GUARANTEED INTEREST CREDITS
2 OVER THAT PERIOD OF TIME. THE MINIMUM NONFORFEITURE AMOUNT SHALL
3 BE THE UNADJUSTED MINIMUM NONFORFEITURE AMOUNT ADJUSTED BY THE
4 MARKET-VALUE ADJUSTMENT FORMULA CONTAINED IN THE CONTRACT. THE
5 UNADJUSTED MINIMUM NONFORFEITURE AMOUNT ON ANY DATE PRIOR TO THE
6 ANNUITY COMMENCEMENT DATE SHALL BE AN AMOUNT EQUAL TO THE PERCENT-
7 TAGES OF NET CONSIDERATIONS AS SPECIFIED IN SUBSECTION (4)
8 INCREASED BY THE INTEREST CREDITS ALLOCATED TO THE PERCENTAGE OF
9 NET CONSIDERATIONS, WHICH AMOUNT SHALL BE REDUCED TO REFLECT THE
10 EFFECT OF THE FOLLOWING:

11 (A) ANY PARTIAL WITHDRAWALS FROM OR PARTIAL SURRENDER OF THE
12 CONTRACT.

13 (B) THE AMOUNT OF ANY INDEBTEDNESS ON THE CONTRACT, INCLUD-
14 ING INTEREST DUE AND ACCRUED.

15 (C) AN ANNUAL CONTRACT CHARGE NOT LESS THAN 0 AND EQUAL TO
16 THE LESSER OF \$30.00 AND 2% OF THE END OF YEAR CONTRACT VALUE,
17 LESS THE AMOUNT OF ANY ANNUAL CONTRACT CHARGE DEDUCTED FROM ANY
18 GROSS CONSIDERATIONS CREDITED TO THE CONTRACT DURING THE CONTRACT
19 YEAR. THE \$30.00 ANNUAL CONTRACT CHARGE SHALL BE ADJUSTED AS
20 PROVIDED IN SUBSECTION (4).

21 (D) A TRANSACTION CHARGE OF \$10.00 FOR EACH TRANSFER TO
22 ANOTHER INVESTMENT DIVISION WITHIN THE SAME CONTRACT. THE \$10.00
23 TRANSACTION CHARGE SHALL BE ADJUSTED AS PROVIDED IN
24 SUBSECTION (4).

25 (4) THE PERCENTAGES OF NET CONSIDERATIONS USED TO DEFINE THE
26 MINIMUM NONFORFEITURE AMOUNT IN SUBSECTION (3) SHALL MEET THE
27 FOLLOWING REQUIREMENTS:

1 (A) FOR CONTRACTS PROVIDING FOR PERIODIC CONSIDERATIONS, THE
2 NET CONSIDERATIONS FOR A GIVEN CONTRACT YEAR USED TO DEFINE THE
3 MINIMUM NONFORFEITURE AMOUNT SHALL BE AN AMOUNT NOT LESS THAN 0
4 AND SHALL BE EQUAL TO THE CORRESPONDING GROSS CONSIDERATIONS
5 CREDITED TO THE CONTRACT DURING THAT CONTRACT YEAR LESS AN ANNUAL
6 CONTRACT CHARGE OF \$30.00 AND LESS A COLLECTION CHARGE OF \$1.25
7 PER CONSIDERATION CREDITED TO THE CONTRACT DURING THAT CONTRACT
8 YEAR AND LESS ANY CHARGES FOR PREMIUM TAXES. THE PERCENTAGES OF
9 NET CONSIDERATIONS SHALL BE 65% FOR THE FIRST CONTRACT YEAR AND
10 87-1/2% FOR THE SECOND AND LATER CONTRACT YEARS. NOTWITHSTANDING
11 THE PROVISIONS OF THE PRECEDING SENTENCE, THE PERCENTAGE SHALL BE
12 65% OF THE PORTION OF THE TOTAL NET CONSIDERATION FOR ANY RENEWAL
13 CONTRACT YEAR THAT EXCEEDS BY NOT MORE THAN 2 TIMES THE SUM OF
14 THOSE PORTIONS OF THE NET CONSIDERATIONS IN ALL PRIOR CONTRACT
15 YEARS FOR WHICH THE PERCENTAGE WAS 65%. THE \$30.00 ANNUAL CON-
16 TRACT CHARGE AND THE \$1.25 COLLECTION CHARGE SHALL BE ADJUSTED
17 PURSUANT TO SUBDIVISION (C).

18 (B) FOR CONTRACTS PROVIDING FOR A SINGLE CONSIDERATION, THE
19 NET CONSIDERATION USED TO DEFINE THE MINIMUM NONFORFEITURE AMOUNT
20 SHALL BE THE GROSS CONSIDERATION LESS A CONTRACT CHARGE OF \$75.00
21 AND LESS ANY CHARGE FOR PREMIUM TAXES. THE PERCENTAGE OF THE NET
22 CONSIDERATION SHALL BE 90%. THE \$75.00 CONTRACT CHARGE SHALL BE
23 ADJUSTED PURSUANT TO SUBDIVISION (C).

24 (C) THE CONTRACT AND COLLECTION CHARGES SHALL BE MULTIPLIED
25 BY THE RATIO OF THE CONSUMER PRICE INDEX FOR JUNE OF THE CALENDAR
26 YEAR PRECEDING THE DATE OF FILING, TO THE CONSUMER PRICE INDEX
27 FOR JUNE 1979. AS USED IN THIS SUBDIVISION, THE CONSUMER PRICE

1 INDEX MEANS SUCH INDEX FOR ALL URBAN CONSUMERS FOR ALL ITEMS AS
2 PUBLISHED BY THE UNITED STATES DEPARTMENT OF LABOR AND AS CERTI-
3 FIED BY THE COMMISSIONER.

4 (5) A PAID-UP ANNUITY BENEFIT AVAILABLE UNDER A MODIFIED
5 GUARANTEED ANNUITY CONTRACT SHALL BE SUCH THAT ITS PRESENT VALUE
6 ON THE ANNUITY COMMENCEMENT DATE IS AT LEAST EQUAL TO THE MINIMUM
7 NONFORFEITURE AMOUNT ON THAT DATE. THIS PRESENT VALUE SHALL BE
8 COMPUTED USING THE MORTALITY TABLE, IF ANY, AND THE GUARANTEED OR
9 ASSUMED INTEREST RATES USED IN CALCULATING THE ANNUITY PAYMENTS.

10 (6) FOR MODIFIED GUARANTEED ANNUITY CONTRACTS THAT PROVIDE
11 CASH SURRENDER BENEFITS, THE CASH SURRENDER BENEFIT AT ANY TIME
12 PRIOR TO THE ANNUITY COMMENCEMENT DATE SHALL NOT BE LESS THAN THE
13 MINIMUM NONFORFEITURE AMOUNT NEXT COMPUTED AFTER THE REQUEST FOR
14 SURRENDER IS RECEIVED BY THE INSURER. THE DEATH BENEFIT UNDER
15 SUCH CONTRACTS SHALL BE AT LEAST EQUAL TO THE CASH SURRENDER
16 BENEFIT.

17 (7) A MODIFIED GUARANTEED ANNUITY CONTRACT THAT DOES NOT
18 PROVIDE CASH SURRENDER BENEFITS, OR DOES NOT PROVIDE DEATH BENE-
19 FITS AT LEAST EQUAL TO THE MINIMUM NONFORFEITURE AMOUNT, PRIOR TO
20 THE ANNUITY COMMENCEMENT DATE SHALL INCLUDE A STATEMENT IN A
21 PROMINENT PLACE IN THE CONTRACT THAT SUCH BENEFITS ARE NOT
22 PROVIDED.

23 (8) NOTWITHSTANDING THE REQUIREMENTS OF THIS SECTION, A MOD-
24 IFIED GUARANTEED ANNUITY CONTRACT MAY PROVIDE THAT UNDER EITHER
25 OF THE FOLLOWING SITUATIONS THE INSURER, AT ITS OPTION, MAY
26 CANCEL THE ANNUITY AND PAY THE CONTRACT HOLDER THE LARGER OF THE
27 UNADJUSTED MINIMUM NONFORFEITURE AMOUNT AND THE MINIMUM

1 NONFORFEITURE AMOUNT, AND BY SUCH PAYMENT BE RELEASED OF ANY
2 FURTHER OBLIGATION UNDER THE CONTRACT:

3 (A) IF AT THE TIME THE ANNUITY BECOMES PAYABLE, THE LARGER
4 OF THE UNADJUSTED MINIMUM NONFORFEITURE AMOUNT AND THE MINIMUM
5 NONFORFEITURE AMOUNT IS LESS THAN \$2,000.00, OR WOULD PROVIDE AN
6 INCOME THE INITIAL AMOUNT OF WHICH IS LESS THAN \$20.00 PER
7 MONTH.

8 (B) IF PRIOR TO THE TIME THE ANNUITY BECOMES PAYABLE UNDER A
9 PERIODIC PAYMENT CONTRACT NO CONSIDERATIONS HAVE BEEN RECEIVED
10 UNDER THE CONTRACT FOR A PERIOD OF 2 FULL YEARS AND BOTH THE
11 TOTAL CONSIDERATIONS PAID PRIOR TO SUCH PERIOD, REDUCED TO
12 REFLECT ANY PARTIAL WITHDRAWALS FROM OR PARTIAL SURRENDERS OF THE
13 CONTRACT, AND THE LARGER OF THE UNADJUSTED MINIMUM NONFORFEITURE
14 AMOUNT AND THE MINIMUM NONFORFEITURE AMOUNT IS LESS THAN
15 \$2,000.00.

16 (9) FOR A MODIFIED GUARANTEED ANNUITY CONTRACT THAT PRO-
17 VIDES, WITHIN THE SAME CONTRACT BY RIDER OR SUPPLEMENTAL CONTRACT
18 PROVISION, BOTH ANNUITY BENEFITS AND LIFE INSURANCE BENEFITS THAT
19 ARE IN EXCESS OF THE GREATER OF CASH SURRENDER BENEFITS OR A
20 RETURN OF THE GROSS CONSIDERATIONS WITH INTEREST, THE MINIMUM
21 NONFORFEITURE BENEFITS SHALL BE EQUAL TO THE SUM OF THE MINIMUM
22 NONFORFEITURE BENEFITS FOR THE ANNUITY PORTION AND THE MINIMUM
23 NONFORFEITURE BENEFITS, IF ANY, FOR THE LIFE INSURANCE PORTION
24 COMPUTED AS IF EACH PORTION WERE A SEPARATE CONTRACT.

25 NOTWITHSTANDING THE PROVISIONS OF SUBSECTION (2), ADDITIONAL BEN-
26 EFITS PAYABLE IN THE EVENT OF TOTAL AND PERMANENT DISABILITY, AS
27 REVERSIONARY ANNUITY OR DEFERRED REVERSIONARY ANNUITY BENEFITS,

1 OR AS OTHER POLICY BENEFITS ADDITIONAL TO LIFE INSURANCE,
2 ENDOWMENT, AND ANNUITY BENEFITS, AND CONSIDERATIONS FOR ALL SUCH
3 ADDITIONAL BENEFITS, SHALL BE DISREGARDED IN ASCERTAINING THE
4 MINIMUM NONFORFEITURE AMOUNTS, PAID-UP ANNUITY, CASH SURRENDER,
5 AND DEATH BENEFITS THAT MAY BE REQUIRED BY THIS SECTION. THE
6 INCLUSION OF SUCH ADDITIONAL BENEFITS SHALL NOT BE REQUIRED IN
7 ANY PAID-UP BENEFITS, UNLESS SUCH ADDITIONAL BENEFITS SEPARATELY
8 WOULD REQUIRE MINIMUM NONFORFEITURE AMOUNTS, PAID-UP ANNUITY,
9 CASH SURRENDER, AND DEATH BENEFITS.

10 SEC. 4117. THE APPLICATION FOR A MODIFIED GUARANTEED ANNU-
11 ITY SHALL PROMINENTLY SET FORTH IMMEDIATELY PRECEDING THE SIGNA-
12 TURE LINE LANGUAGE DENOTING THAT AMOUNTS PAYABLE UNDER THE CON-
13 TRACT ARE SUBJECT TO A MARKET-VALUE ADJUSTMENT PRIOR TO A DATE OR
14 DATES SPECIFIED IN THE CONTRACT.

15 SEC. 4119. RESERVE LIABILITIES FOR A MODIFIED GUARANTEED
16 ANNUITY SHALL BE ESTABLISHED IN ACCORDANCE WITH ACTUARIAL PROCE-
17 DURES THAT RECOGNIZE THAT ASSETS OF THE SEPARATE ACCOUNT ARE
18 BASED ON MARKET VALUES, THE VARIABLE NATURE OF BENEFITS PROVIDED,
19 AND ANY MORTALITY GUARANTEES. AT A MINIMUM, THE SEPARATE ACCOUNT
20 LIABILITY SHALL EQUAL THE SURRENDER VALUE BASED UPON THE
21 MARKET-VALUE ADJUSTMENT FORMULA CONTAINED IN THE CONTRACT. IF
22 THAT LIABILITY IS GREATER THAN THE ASSET'S MARKET VALUE, A TRANS-
23 FER OF ASSETS SHALL BE MADE INTO THE SEPARATE ACCOUNT SO THAT THE
24 ASSET'S MARKET VALUE AT LEAST EQUALS THAT OF THE LIABILITIES.
25 ALSO, ANY ADDITIONAL RESERVE THAT IS NEEDED TO COVER FUTURE GUAR-
26 ANTEED BENEFITS SHALL ALSO BE SET UP BY THE VALUATION ACTUARY.
27 THE MARKET-VALUE ADJUSTMENT FORMULA, THE INTEREST GUARANTEES, AND

1 THE DEGREE TO WHICH PROJECTED CASH FLOW OF ASSETS AND LIABILITIES
2 ARE MATCHED SHALL ALSO BE CONSIDERED. EACH YEAR, THE VALUATION
3 ACTUARY SHALL PROVIDE AN OPINION ON WHETHER THE ASSETS IN THE
4 SEPARATE ACCOUNT ARE ADEQUATE TO PROVIDE ALL FUTURE BENEFITS THAT
5 ARE GUARANTEED.

6 SEC. 4121. THE FOLLOWING REQUIREMENTS APPLY TO THE ESTAB-
7 LISHMENT AND ADMINISTRATION OF MODIFIED GUARANTEED ANNUITY SEPA-
8 RATE ACCOUNTS BY A DOMESTIC INSURER:

9 (A) AN INSURER ISSUING A MODIFIED GUARANTEED ANNUITY SHALL
10 ESTABLISH 1 OR MORE SEPARATE ACCOUNTS PURSUANT TO THIS CHAPTER.

11 (B) THE INSURER SHALL MAINTAIN IN EACH SEPARATE ACCOUNT
12 ASSETS WITH A MARKET VALUE OR OTHER VALUE COMPORTING TO STANDARDS
13 SET OUT IN THIS CHAPTER, AT LEAST EQUAL TO THE VALUATION RESERVES
14 AND OTHER CONTRACT LIABILITIES RESPECTING THE ACCOUNT.

15 (C) INVESTMENTS OF THE SEPARATE ACCOUNT SHALL BE VALUED AT
16 THEIR MARKET VALUE ON THE DATE OF VALUATION, OR AT AMORTIZED COST
17 IF IT APPROXIMATES MARKET VALUE, OR PURSUANT TO STANDARDS CON-
18 TAINED IN THIS CHAPTER.

19 (D) UNLESS OTHERWISE APPROVED BY THE COMMISSIONER, SEPARATE
20 ACCOUNTS RELATING TO MODIFIED GUARANTEED ANNUITIES SHALL BE
21 SUBJECT TO INVESTMENT LAWS APPLICABLE TO THE INSURER'S GENERAL
22 ASSET ACCOUNT.

23 SEC. 4123. AN INSURER SHALL ANNUALLY PROVIDE THEIR CONTRACT
24 HOLDERS WITH A REPORT SHOWING BOTH THE ACCOUNT VALUE AND THE CASH
25 SURRENDER VALUE. THE REPORT SHALL CLEARLY INDICATE THAT THE
26 ACCOUNT VALUE IS PRIOR TO THE APPLICATION OF ANY SURRENDER
27 CHARGES OR MARKET-VALUE ADJUSTMENT FORMULA AND SHALL SPECIFY THE

1 SURRENDER CHARGE AND MARKET-VALUE ADJUSTMENT USED TO DETERMINE
2 THE CASH SURRENDER VALUE.

3 SEC. 4125. IF THE LAW OR REGULATION IN THE PLACE OF DOMI-
4 CILE OF A FOREIGN INSURER PROVIDES A DEGREE OF PROTECTION TO THE
5 POLICYHOLDERS AND THE PUBLIC THAT IS SUBSTANTIALLY SIMILAR TO
6 THAT PROVIDED BY THESE REGULATIONS, THE COMMISSIONER TO THE
7 EXTENT CONSIDERED APPROPRIATE BY HIM OR HER MAY CONSIDER COMPLI-
8 ANCE WITH THAT LAW OR REGULATION AS COMPLIANCE WITH THIS
9 CHAPTER.

10 SEC. 4127. A PERSON, CORPORATION, PARTNERSHIP, OR OTHER
11 LEGAL ENTITY SHALL NOT SELL OR OFFER FOR SALE IN THIS STATE ANY
12 MODIFIED GUARANTEED ANNUITY CONTRACT UNLESS LICENSED TO SELL
13 VARIABLE ANNUITIES UNDER THIS ACT.